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[CALFED/STATE/FEDERAL LETTERHEAD]

The Honorable Pete Wilson  
Governor, State of California  
Office of the Governor  
State Capitol  
Sacramento, California 95814

The Honorable Bruce Babbitt  
Secretary of the Interior  
Department of the Interior  
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CALFED BAY DELTA PROGRAM:  
MANAGING PHASE II AND IMPLEMENTATION

Gentlemen:

In October 1995, the Federal Ecosystem Directorate ("Club FED") and the Governor's Water Policy Council entered into a Memorandum of Understanding for Preparation of Environmental Impact Statement/Report for Long-Term Improvements to the Bay-Delta Estuary in which the signatory agencies delegated responsibility of preparing a joint environmental impact statement (EIS) and environmental impact report (EIR) to the CALFED Bay-Delta Program interagency team. Further, the signatory agencies assumed their respective roles as co-lead agencies under the National Environmental Policy Act (NEPA) (42 USC §§ 4321, et seq.) and lead and responsible agencies under the California Environmental Quality Act (CEQA) (Cal.Pub.Resources Code §§ 21000 et seq.), and committed to support the development of the EIS/EIR.

On September 3, 1996, the member agencies of Club FED and the Governor's Water Policy Council signed a joint letter to the Governor of the State of California and the Secretary of the Interior of the United States. In this joint letter, the signatory agencies concluded that Phase I of the CALFED Bay-Delta Program had been successfully identified a reasonable range of alternatives for further detailed analysis in the environmental review process of Phases II and III. The signatory agencies further reaffirmed their commitment to the CALFED Bay-Delta Program, to completing a Programmatic EIR/EIS, and to working cooperatively to solve the problems of the Bay-Delta system.

On November 5, 1996, the voters of the State of California

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approved State Proposition 204, which authorized the issuance of state bonds to fund a total of \$390 million for the ecosystem restoration components of the preferred alternative to be developed in the CALFED Bay-Delta Program. On October 1, 1996, the President of the United States signed the California Bay-Delta Environmental Enhancement and Water Security Act (H.R. 4126), which authorized up to \$443 million in federal funds to match the Proposition 204 state funds.

[On -----, the Corps of Engineers, the NCRS, [AND OTHERS?] agreed to participate with the other federal agencies in Club FED....]

As the California and Federal administration leads for the CALFED Bay Delta Program and CALFED cooperative effort, we believe it would be useful to lay out the next steps that will be taken by the State and Federal agencies to reflect the developments outlined above.

First, we welcome the additional Federal agencies that have begun participating in the Club FED process. We understand that their addition to Club FED constitutes a reaffirmation by all of the Federal agencies of the agreements contained in the Memorandum of Agreement discussed above, as well as the underlying commitments made in the Framework Agreement between the Governor's Water Policy Council and Club FED in July 1994.

Second, in order to more effectively provide agency guidance in the development of the EIS/EIR, we have agreed that the State and Federal agencies will establish the CALFED Management Group as follows:

(a) The CALFED Management Group will consist of one primary and one alternate representative of each signatory agency. These primary and alternate representatives are named in attachment 1.

(b) The CALFED Management Group shall be co-chaired by one representative each of the State of California and the Federal government. These co-chairs are named in attachment 1.

(c) The CALFED Management Group shall meet monthly unless decided otherwise by the co-chairs.

(d) The broad purpose of the CALFED Management Group shall be to provide management-level guidance to the CALFED Bay-Delta Program, and to provide a forum for management-level discussions of other issues arising out of the State and Federal programs in the Bay-Delta Estuary.

Finally, we have agreed to expeditiously develop the following

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agreements containing commitments for sharing the costs of implementing the program ultimately adopted by the CALFED agencies as a result of the CALFED Bay-Delta Program EIS/EIR planning process. These agreements will include, at a minimum, (a) a cost-sharing agreement between the State of California and the Federal government meeting the requirements of Proposition 204; (b) a cost-sharing agreement between the State and Federal agencies and the various stakeholders involved in the Bay-Delta Estuary issues to allocate costs of specific projects arising out of the CALFED Bay-Delta Program; and (c) a cost-sharing agreement between the State of California and the Federal government on activities emanating from the Category III process initiated in the Bay Delta Accord.

We believe that these approaches to managing the CALFED Bay Delta Program and the related California water programs will result in more effective agency participation and oversight, and will enable the agencies to move forward quickly towards implementation of the program as it develops.

Dated: \_\_\_\_\_

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Robert C. Perciasepe  
Assistant Administrator  
for Water  
U.S. Environmental Protection  
Agency

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Douglas Wheeler  
Secretary  
California Resources Agency